



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Required Report - public distribution

**Date:** 2/26/2007

**GAIN Report Number:** EG7001

## Egypt

### Grain and Feed

### Annual

2007

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**Report Highlights:**

Wheat imports are forecast to remain above 7 million tons through 2007/08, while corn imports are expected to remain at levels of over 4 million tons. U.S market share in wheat imports continues to lag historical levels, but U.S. corn imports dominate. Egypt will continue to be an important player in regional rice trade, exporting about 1 million tons per year.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Cairo [EG1]  
[EG]

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Egypt Wheat (Thousand Hectare)									
	2005	Revised		2006	Estimate		2007	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007
Area Harvested	1260	1260	1260	1260	1262	1286	0	0	1290
Beginning Stocks	2861	2030	2861	4006	3214	4006	3596	4314	4000
Production	8184	8184	8184	8200	8200	8274	0	0	8320
MY Imports	7771	7000	7249	7000	7000	7300	0	0	7350
TY Imports	7771	7000	7249	7000	7000	7300	0	0	7350
TY Imp. from U.S.	1181	1500	12476	0	2000	1900	0	0	2000
Total Supply	18816	17214	18294	19206	18414	19580	3596	4314	19670
MY Exports	10	0	0	10	0	0	0	0	0
TY Exports	10	0	0	10	0	0	0	0	0
Feed Consumption	50	65	50	50	70	75	0	0	80
FSI Consumption	14750	13935	14238	15550	14030	15505	0	0	15710
Total Consumption	14800	14000	14288	15600	14100	15580	0	0	15790
Ending Stocks	4006	3214	4006	3596	4314	4000	0	0	3880
Total Distribution	18816	17214	18294	19206	18414	19580	0	0	19670
Yield	6.495238	6.495238	6.495238	6.507937	6.497623	6.433904	0	0	6.449612

## Production

Boosted by a higher government purchase price, wheat area in 2006/07 is estimated to be up about 2 percent to 1.286 million hectares. For 2007/08, another small increase in area is forecast. Wheat is planted in October/November and harvested in April/May. Production in 2006/07 is estimated at 8.274 million tons, slightly above the previous year due to the higher area planted. For the 2006/07 crop, the government procurement price is LE 1,166/ton (\$203), which is up from LE 938/ MT (\$163 per MT) in 2005/06. As a comparison, the landed price for Russian wheat was about \$218/ton as of February 2007. The increase in the government procurement price for wheat makes it the most profitable winter crop, and wheat area is increasing at the expense of clover and fava bean areas. Fava bean plantings dropped from 75,600 hectares in 2005/06 to 65,400 hectares in 2006/07.

The average yield for the 2005/06 crop was about 6.5 tons/HA compared to 6.6 tons/HA in 2004/05. All wheat areas are cultivated with high yielding varieties (Gemmiza 7, Gemmiza 9, Sakha 93 and Giza 168), which have the potential to yield 7.6 tons/HA. The total quantity of locally produced wheat sold to the Ministry of Industry and Foreign Trade in 2006/07 is estimated to be 3 million tons, compared to 2.7 million tons in 2005/06. From the 2007/08 crop, the General Authority for Supply Commodities (GASC) plans to purchase 3.1 million tons.

## Consumption

To keep pace with population growth, wheat consumption is forecast to grow to 15.6 and 15.7 million tons in 2006/07 and 2007/08, respectively. Just under half of domestic needs will continue to be met through imports. At just under 200 Kgs, Egypt continues to have one of the highest wheat per capita consumption levels in the world. The subsidized bread program provides a floor for consumption levels and the relatively high prices for bread substitutes, such as rice and potatoes, also have had a positive impact on consumption of wheat in other forms, particularly pasta. In addition, because of the current foreign exchange availability, the central wheat buying authority (GASC) has been able to maintain purchases at a high level. This foreign exchange liquidity has also enabled private sector mills to continue actively importing, ensuring wheat supplies to maintain consumption.

From the beginning of 2006/07 (July 2006) through the end of January 2007, GASC purchased 3.5 million tons of imported wheat and 3 million tons of locally-produced wheat. The government also purchased 500,000 tons of locally produced white corn to mill 82 percent extraction flour used for the subsidized baladi bread. The subsidized baladi bread program cost the government close to LE 3.8 billion last year. Also from July 2006 to January 2007, the private sector purchased 1.6 million tons of imported wheat to produce 72 percent extraction flour used in the production of high quality flat bread, pastries, and pasta.

The Egyptian milling industry has more than adequate capacity to cover the country's need for 72 percent extraction flour. While total consumption of 72 percent extracted flour is estimated at 1.8 million tons or 2.5 million tons of wheat, total milling capacity is estimated at 2.7 million tons of 72 percent flour, or 3.76 million tons of wheat. The public sector milling industry consists of 126 mills (mostly small or medium size) and has a total capacity of approximately 7 million tons per year. There are seven public sector companies that operate these mills, and all are affiliated with one holding company (Food Industries Holding Company). Of the 126 public sector mills, 109 mills are currently used for the production of 82 percent flour and 7 mills are used to produce 72 percent flour with total capacity of 6,230 tons per day (1.86 million tons annually). Shares in some of these companies have been sold to private investors over the past few years. Although the majority of shares are held by the private sector, the holding company maintains complete control of these mills. Given that wheat is a strategic commodity in Egypt, the government is expected to retain control of most of the milling industry (particularly for the subsidized baladi bread). There are nearly 36 private held commercial mills, with total capacity of 9,000 tons per day (2.8 million tons annually). These are permitted to produce 72 percent flour only. However, some private sector mills obtained approval to mill 82 percent flour for the government for a fee.

## Trade

Based on the pace of imports through the first half of the marketing year, total imports are expected to reach 7.3 million tons in 2006/07, followed by another slight increase in 2007/08.

Although U.S. market share has increased in 2006/07 relative to the previous year, U.S. market share continues to lag well below levels of a few years ago. From the beginning of 2005/06 through the end of January 2007, U.S. exports accounted for 17 percent (1,247,600 tons) of wheat imports; the remainder was imported from Russia, Argentina, France, and Australia. This compared with 14 percent (760,000 tons) market share during the same period in 2005/06. The slight increase was due to the increased competitiveness of U.S.

wheat prices at some of the government tenders. However, this market share level is well below levels (between 55 and 65 percent) as recently as 4 years ago.

Egypt's wheat sources are becoming increasingly diverse, and Russia continues to be a favored supplier as exemplified by these recent sales: In a tender, dated January 27, 2007, GASC purchased 30,000 tons of wheat from Russia at a reported price of \$193.45/ton FOB and 120,000 tons from the U.S. at a reported price of \$177.79/ton FOB for deliveries through the first half of March 2007; for the same tender, GASC purchased 55,000 tons of Russian wheat at reported price 218/ton C&F; in December 2007, the private sector purchased 121,541 tons of wheat from Russia at a reported price of \$210/ton C&F, 31,595 tons from Ukraine at a reported price of \$200/ ton C&F, and 25,000 MT from Syria at reported price \$205/ton C&F.

For 2007/08, wheat imports are not expected to vary significantly from the 2006/07 level, with GASC projected to import nearly 4.6 tons, and the rest to be imported by the private sector. An increased number of private sector mills will be eligible to mill 82 percent flour for the government for fees.

### Trade Matrix

Egypt Wheat (1,000 MT)			
Imports from	MY 2004/05	Imports from	MY 2005/06
U.S.	1,680	U.S.	1,247
Others		Others	
Russia	1,843	Russia	2,719
Argentina	1,262	Australia	1,143
France	1,130	France	1,292
		Syria	227
<b>Total for Others</b>	4,235		5,431
<b>Others not listed</b>	1,010		571
<b>Grand Total</b>	6,925		7,249

### Stocks

The Ministry of Supply and Domestic Trade tries to maintain five months supply of strategic stocks. However, due to limited storage capacity that constrains the government from reaching this target, the strategic stocks are now redefined to include wheat import purchases in the pipeline, usually in the range of three months of annual consumption. Currently, total covered storage capacity for wheat is estimated at one million metric tons, including about 350,000 tons in silos at three different ports, 250,000 tons in inland silos and 400,000 tons in open storage, mostly in metropolitan areas. In addition to government storage facilities, several private sector traders and mills currently have their own receiving and storage facilities, estimated at 500,000 tons. In order to increase the storage capacity, the Ministry of Supply is currently promoting a project to encourage the private sector to build 50 inland silos with 30,000 tons capacity in different locations throughout the country.

The Ministry of Social Welfare will commit to use 60 percent of the capacity of each silos capacity at the prevailing storage fee for 5 years.

### Factors Affecting U.S. Trade

As described above, due to competition from other suppliers, notably Russia, U.S. market share has declined in recent years. Nonetheless, both government and private sector buyers prefer U.S. wheat. However, due to prevailing market conditions, namely higher prices and freight for U.S. wheat, GASC and Egyptian milling companies will purchase lower quality wheat. Both sectors are now sourcing more wheat from non-U.S. origins such as Russia and Ukraine.

U.S. Wheat Associates continues to provide trade servicing and quality seminars to Egyptian millers, wheat buyers, and traders, and the U.S. Wheat Associates' quality seal program is widely used to promote products containing U.S. wheat. The USDA GSM-102 Program is available for both public and private sector importers of U.S. agricultural commodities, but importers no longer use the program at present citing the potential for exchange rate risk in the Egyptian market.

### PSD Corn

<b>Egypt Commodity Corn (Thousand Hectare)</b>									
	2005	Revised		2006	Estimate		2007	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
<b>Market Year Begin</b>		10/2005	10/2005		10/2006	10/2006		10/2007	10/2007
Area Harvested	710	710	724	715	715	725	0	0	730
Beginning Stocks	416	500	416	473	600	478	543	600	270
Production	5860	5860	5932	5870	5870	5940	0	0	5980
MY Imports	4397	3700	4205	4800	4000	4250	0	0	4270
TY Imports	4397	3700	4205	4800	4000	4250	0	0	4270
TY Imp. from U.S.	4156	2775	4035	0	2400	3800	0	0	3700
Total Supply	10673	10060	10553	11143	10470	10668	543	600	10520
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Feed Consumption	8400	5791	8275	8600	5382	8398	0	0	8265
FSI Consumption	1800	3669	1800	2000	4488	2000	0	0	2050
Total Consumption	10200	9460	10075	10600	9870	10398	0	0	10315
Ending Stocks	473	600	478	543	600	270	0	0	205
Total Distribution	10673	10060	10553	11143	10470	10668	0	0	10520
Yield	8.253521	8.253521	8.19337	8.20979	8.20979	8.193103	0	0	8.191781

## Production

Corn area and production are not expected to change significantly. Limited irrigated land availability constrains potential for any increase in corn production. In any given year, about 90 percent of corn area is devoted to white corn.

## Consumption and Utilization

Total corn consumption in 2006/07 is estimated at about 10.4 million tons, up about 3 percent from the previous year. The majority of the local corn crop is utilized for animal feed (mostly consumed on farm) and about 1.5 million tons is used for food purposes (either milled or consumed fresh). Large commercial end-users and feed mills rely on imported yellow corn to meet their requirements.

Corn use in feed is forecast to remain depressed in 2006/07 as the poultry industry is still reeling from the outbreak of Avian Influenza (AI), which began in February 2006. Following a severe temporary reduction in poultry output in 2006, the commercial poultry industry is recovering. However, continued outbreaks in backyard flocks cloud prospects for the industry, and temper expectations for further increases in demand for corn. In contrast, there has been a significant quantity of green corn utilized in the production of silage for both dairy and beef animal feed. There has also been increased utilization of corn in the production of 20:80 corn-wheat composite flour for baladi bread. In 2006/07, about 500,000 tons of locally produced white corn is expected to be delivered to the Ministry of Social Welfare for the production of subsidized baladi bread. In 2007/08, the total white corn delivery is expected to reach 600,000 tons. In addition, there is a small, but growing demand for food products containing corn (snack food). This, in addition to the increase in demand for corn oil, has helped to partially offset the decrease in demand for corn in the poultry industry.

As a direct result of AI, and the loss of a large part of the flock through culling, use of imported corn by the poultry sector is forecast to drop to 1.9 million tons in 2006/07, off about 20 percent from pre-AI levels. However, this drop will be offset by growth in use of imported corn for ruminant feeds and in the processing sector. Approximately 1.9 tons of imported corn will be used for ruminants and 450,000 tons for the starch industry. In 2007/08, however, it is expected that the commercial poultry sector will regain lost ground due to AI, and feeding in poultry will further strengthen.

## Trade

With the poultry sector still struggling with AI, total corn imports for 2006/07 are expected to increase only slightly. The U.S. dominated market share in 2005/06, accounting for 96 percent compared to 71 percent in 2004/05; Argentina supplied the majority of the remainder. The U.S. has continued to dominate the market in 2006/07, accounting for about 97 percent of the 1.5 million tons imported from the beginning of 2006/07 (October 2006) through the end of January 2007. For MY 2007/08, only a slight increase in corn imports is expected. Competition from Argentina and other suppliers of yellow corn is expected to continue to be modest in 2007; the price gap between U.S. and other suppliers is expected to be marginal.

## Trade Matrix

EGYPT (1,000 MT) Corn			
	MY 2004/05	Units:	MY 2005/06
<b>Imports for</b>			
U.S.	3,547	U.S.	4,035
Others		Others	
Argentina	1,342	Argentina	128
Romania	32	Ukraine	9
Ukraine	30	Bulgaria	33
Bulgaria	25		
Malta	4		
<b>Total for Others</b>	1433		170
<b>Others not Listed</b>			
<b>Grand Total</b>	4980		4205



## PSD Rice

Egypt									
Rice, Milled (1,000 MT)									
	2005	Revised		2006	Estimate		2007	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		10/2005	10/2005		10/2006	10/2006		10/2007	10/2007
Area Harvested	645	645	668	650	650	650	0	0	650
Beginning Stocks	502	203	502	357	200	255	297	190	438
Milled Production	4130	4130	4135	4140	4140	4383	0	0	4380
Rough Production	6354	6354	6362	6369	6369	6743	0	0	6738
Milling Rate (.9999)	6500	6500	6500	6500	6500	6500	0	0	6500
MY Imports	0	0	0	0	0	100	0	0	100
TY Imports	0	0	0	0	0	100	0	0	100
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	4632	4333	4637	4497	4340	4738	297	190	4918
MY Exports	1000	1100	1039	900	1100	1000	0	0	1050
TY Exports	1000	800	1039	900	850	1000	0	0	1050
Total Consumption	3275	3033	3343	3300	3050	3300	0	0	3468
Ending Stocks	357	200	255	297	190	438	0	0	400
Total Distribution	4632	4333	4637	4497	4340	4738	0	0	4918
Yield (Rough)	9.851163	9.851163	9.523952	9.798462	9.798462	10.37385	0	0	10.36615

## Production

The total rice area planted in 2006/07 is estimated at 650,000 HA, and production is forecast at about 4.4 million tons milled rice. With limits on potential for area expansion, no increase in output is forecast for 2007/08. To ration limited water resources, the government targets that only one million feddan (420,000 HA) of rice area be planted annually. However, as the PS&D data above demonstrate, farmers always overshoot this target, despite the prospect of fines of LE 600/feddan for those who violate the targets. The government rarely imposes this fine.

Rice is the second largest summer crop in Egypt, followed by corn and preceded by cotton. Production is concentrated in the northern part of Egypt. Rice requires special irrigation, and the entire crop is irrigated. It is often planted on reclaimed land where the soil is fairly saline and has varying degrees of productivity. A limited amount of rice is also grown in the middle Delta and in Upper Egypt. With irrigation water provided free of charge and due to the higher profitability of rice over comparable summer crops (i.e. corn and cotton) some farmers in recent years have shifted from cotton to rice. The medium grain "Japonica" variety comprises approximately 85 percent of the rice crop. This variety is preferred by Egyptian consumers to the higher-yielding long grain Philippine variety. Farmers also prefer to plant Japonica as it commands a higher price and is more easily milled in local village mills. The government continues to develop new varieties with higher yields, a shorter period of maturity, and more resistance to insects and diseases. The Rice Institute of the Ministry of Agriculture has developed several new rice varieties with potential average yields of 14 MT/HA, or about 40 percent higher than the average yield of the traditional varieties. The Ministry

of Agriculture estimates that the new varieties were used in close to 95 percent of the total rice area.

## Trade

Egypt is a net rice exporter. However, for the first time in recent history, the government imported 100,000 tons of medium grain rice from India. This action was taken to reduce the price of rough rice which increased from LE 1,100 per MT to LE 1,350 per MT. Market observers suggest that this increase in rough rice prices was due to speculating by wholesalers. The imported price for the Indian rice with 10 percent broken was \$350 per ton/C&F. This compared to \$410 per MT/FOB for grade #6 of Egyptian rice. In addition small quantities of high quality name-brand rice are imported by up-scale supermarkets.

Rice exports are forecast to continue to be around 1 million tons annually, driven by demand from traditional buyers in the region. Exports in 2005/06 were 1,039,626 tons, almost all short-grain varieties. This high level in exports is mainly due to the continue considerable shortage of medium grain rice on the international market which resulted from less exportable supply in both the United States and Australia (major short-grain rice producers and exporters). The average export price for medium grain as of February 2007 was between \$400 and \$410/MT/FOB. This compares to \$385 and \$360/MT/FOB during the previous season.

## Trade Matrix

Egypt Rice Milled MT			
Exports to	2004/05	Exports to	2005/06
U.S.		U.S.	
Others		Others	
Syria	206,558	Syria	214,445
Turkey	125,612	Turkey	153,644
Libya	108,606	Libya	86,903
Romania	81,527	Ukraine	85,899
Ukraine	79,699	Romania	72,425
Singapore	63,636	Sudan	63,733
Jordan	44,676	Jordan	41,541
Sudan	38,561	Saudi Arabia	20,145
Ivory Coast	35,549	Lebanon	19,923
Lebanon	28,098	Portorico	20,480
<b>Total for Others</b>	812,522		779,138
<b>Others not listed</b>	268,778		260,488
<b>Grand Total</b>	1,081,1300		1,039,626

**Consumption and Stocks**

Rice consumption is relatively constant, as consumers continue to prefer wheat based products. There is no stock-holding policy, with levels reflecting pipeline supplies. Buyers tend to avoid holding stocks and push them to the export market.